

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

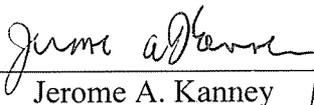
In the Matter of:

THE APPLICATION OF DLR ENTERPRISES, INC.)
INC. AND COW CREEK GAS, INC. FOR)
APPROVAL OF THE TRANSFER OF CERTAIN) CASE NO. 2007-00419
ASSETS FORMERLY OWNED AND)
CONTROLLED BY SIGMA GAS CORPORATION)

**JOINT APPLICANTS' RESPONSE
TO SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF**

CERTIFICATION

The undersigned, Jerome A. Kanney, being first duly sworn, states that he is President of Cow Creek Gas, Inc. and DLR Enterprises, Inc., and certifies that he supervised the preparation of the following responses to the First Data Request of Commission Staff and that the responses are true and accurate to the best of his knowledge, information and belief formed after a reasonable inquiry.



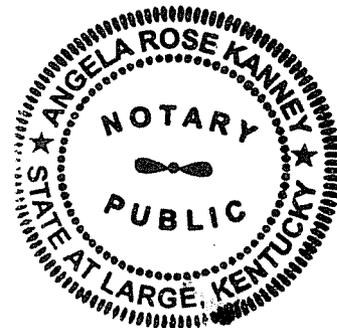
Jerome A. Kanney

Subscribed and sworn to before me, this 26th day of October, 2007.



Notary Public

My Commission expires June 7, 2010.



RESPONSES

1. Refer to Item 2(a) of the response to the Commission Staff's ("Staff") initial data request in this matter ("initial request").

a. Provide the names of the individuals with the city of Salyersville ("Salyersville") who have been contacted by Applicants regarding the assets that are no longer in place.

RESPONSE: Carlotta Howard, City Clerk, has been Applicants' primary contact with the city of Salyersville. Her duties with regard to the Sigma system include preparing its reconciled bank statements and preparing the reports to the bankruptcy court. Joint Applicants also have communicated with Glenda Carpenter, Deputy Clerk of Salyersville, whose duties with regard to the Sigma system include making changes to the listing of customers and printing the monthly bills, and Buddy Carpenter, meter reader.

b. Explain whether Salyersville's representatives have been made aware of the importance of Applicants being able to adequately respond to Staff's data requests with regard to Applicants' request for approval to acquire Sigma Gas Corporation's ("Sigma") assets.

RESPONSE: Yes, they are aware of the importance of providing the data requested. However, the location of some of the assets formerly owned by Sigma Gas is unclear. Joint Applicants have obtained a number of boxes containing Sigma records, and a search of such boxes has yielded a 2003 list of depreciated assets that had belonged to Sigma Gas. That list is attached hereto as Exhibit 1, and Joint Applicants have discussed the contents with Ms. Carlotta Howard, City Clerk, and Buddy

Carpenter, City meter reader. Salyersville says that all pipelines and meters remain in operation. However, the City does not know the whereabouts of the “Power Operated Equipment,” “Office Furniture and Equipment,” and “Transportation Equipment” included on Exhibit 1 at K 1 and 2, at J 1 and 2, and K 3 and 4, respectively.

2. The response to Item 3(a) of the Staff’s initial request indicates that the number of customers on the Sigma system has declined from approximately 750 in 2004 to 558 at present. Identify and describe the factors, either based on Applicants’ understanding or Salyersville’s first-hand knowledge, that have caused the number of customers to decline by roughly 25 percent in a period of 3 years.

RESPONSE: According to Carlotta Howard, City Clerk, there are several reasons for the decrease in the number of customers on the Sigma system. Those reasons are as follows: (1) It appears that, when Sigma previously reported that it had 750 customers, some of these customers had actually discontinued service but still owed Sigma for past bills. (2) The city of Salyersville has had to disconnect for nonpayment a number of customers since undertaking management duties for the system. (3) Some customers have discontinued service because they have obtained service from another gas utility, BTU Gas Company. *See Sigma Gas Corporation v. BTU Gas Company, Inc.*, PSC Case No. 2004-00018, Complaint filed January 14, 2004 (in which Sigma complained that BTU had connected Sigma customers to its system, and which is pending Commission decision). Joint Applicants have requested additional information pertaining to this issue, including the numbers of customers lost for each of these reasons, but Salyersville has been unable to provide

it. If further information is obtained, Joint Applicants will supplement this response.

3. The response to Item 4(c) of the Staff's initial request indicates that Applicants' ability to prepare a Gas Cost Adjustment ("GCA") filing within 30 days of closing on the proposed acquisition depends on whether the relevant information will be available from Salyersville.

a. Explain whether Applicants have made any inquiry to Salyersville concerning the availability of such information.

RESPONSE: Yes, Applicants have made inquiries about the availability of information. According to Carlotta Howard, City Clerk, all available information will be provided upon request.

b. Karen Howard is the individual with whom Staff has dealt regarding GCA filings made by Salyersville on behalf of Sigma. Have Applicants communicated with Ms. Howard regarding the information related to the more recent Sigma GCA filings?

RESPONSE: The Applicants' attempts to discuss GCA filings and information, as well as other issues, with Ms. Howard have been unsuccessful. Ms Howard has been unavailable to date due to an illness in her family.

4. Refer to the responses to Item 5 of the Staff's initial request.

a. The response to Item 5(a) indicates that Applicants do not have access to information regarding wells, other than those of Interstate Natural Gas Company ("Interstate"), which are connected to the Sigma system. Explain whether

Applicants intend to consummate the proposed acquisition without having specific knowledge concerning all the wells Applicants believe are connected to the system.

RESPONSE: Yes, Joint Applicants intend to consummate the transaction without specific knowledge of all wells that are connected to the system. After the acquisition takes place, Joint Applicants will thoroughly inspect the system and ensure that proper operating standards are followed.

b. The response to Item 5(b) indicates that Applicants intend to secure Sigma's future gas supplies primarily through Interstate. Since the response reads "primarily" rather than "entirely," describe how, other than through Interstate, Applicants intend to meet the gas supply needs of the customers on the Sigma system.

RESPONSE: Joint Applicants describe Interstate as the "primary" supplier because, although it is Joint Applicants' current intent for Interstate to supply gas to Cow Creek, Joint Applicants will also ensure that backup supplies are available through Jefferson Gas and/or others. It is Joint Applicants' intention to use Kentucky production exclusively; however, if necessary, gas supplies can be supplemented by gas from an interstate pipeline. Joint Applicants will, in short, maintain sufficient options to ensure an adequate supply of gas for all of Cow Creek's customers.

5. The Applicants state at page 7 of the Application that the transactions between DLR and Cow Creek will be on terms consistent with the affiliate transaction requirements of KRS 278.2201, *et seq.* Explain whether the transactions between Interstate and the Applicants will also be conducted on terms consistent with the affiliate transaction requirements.

RESPONSE: It is the intent of the affiliate transaction requirements to ensure that utilities, affiliates, competitors, and customers are treated fairly. To the extent that Interstate can supply gas to Cow Creek such that those requirements, and the intent of those requirements, are met, Interstate will be Cow Creek's primary gas supplier. This statement should not be construed as a waiver of the right to request a deviation from such a requirement, if proper and necessary, pursuant to applicable law.

6. Refer to the responses to Item 7 of the Staff's initial request.

a. The response to Item 7(a) indicates that the loans to DLR and Cow Creek will have a 1-year term. What are Applicants' plans regarding long-term financing?

RESPONSE: Joint Applicants plan to apply to a local banking institution for long-term financing after Commission approval of the proposed transaction.

b. The response also indicates that the loans from the Applicants will be at an interest rate of 9 percent. Explain how it was determined that 9 percent was the appropriate interest rate.

RESPONSE: The prime interest rate is, as of this writing, 7.75%, and is likely to remain near that figure in the near future. Prime plus one and a quarter is a very

reasonable interest rate, particularly given the level of risk associated with the acquisition of the utility assets at issue.

c. The last sentence in the response to Item 7(c) cites to Salyersville's agreement to the terms included in the order of the Bankruptcy Court in Docket No. 230. In the event Salyersville has received a bill from Jefferson Gas Transmission Company ("Jefferson Gas") that is unpaid at the time of closing because there is a lag in the collection of revenues from Sigma's customers, explain how Jefferson Gas will be paid and which parties will be responsible for make the payment.

RESPONSE: The Asset Purchase Agreements, at Recital F., specify that the assets, which include accounts receivable, will be purchased "free and clear of all liens, claims, encumbrances and interests." The City of Salyersville will be responsible for paying all monies owing to Jefferson Gas pursuant to Salyersville's agreement with Jefferson Gas, to which Joint Applicants are not party, and pursuant to the Agreed Order of the Bankruptcy Court (Docket No. 230], to pay all costs of operating Sigma, "whether billed or unbilled, due and owing as of the date of the Sale closing, including without limitation Jefferson Gas at the time of the Sale closing." For further information with regard to gas utility funds in the possession of the City of Salyersville, and the City's troubled financial relationship with Jefferson Gas, see Report of Default of Agreed Order, Exhibit 2 hereto, filed with the Bankruptcy Court by Jefferson Gas on October 15, 2007.

7. Refer to the responses to Items 8(a) and 8(b) of the Staff's initial request. With clarification that the plans for a rate application for the merged Cow Creek system reflect the operational merger of the City Business with Cow Creek's existing gas system,

provide a more detailed description of the expected timetables for both the operational merger and the filing of the planned rate application.

RESPONSE: Joint Applicants expect that, over the course of the next year, Cow Creek will be able to merge the systems and begin preparation of a rate application that will accurately reflect its costs. Given the incomplete nature of existing records, the need to conduct inspections and perform necessary repairs, and the necessity of addressing operating issues as they arise, it is possible that this time will need to be extended.

8. Refer to the response to Item 12(a) of the Staff's initial request.

a. Provide evidence that DLR has designated Cow Creek to purchase the City Business pursuant to the terms of the Asset Purchase Agreement.

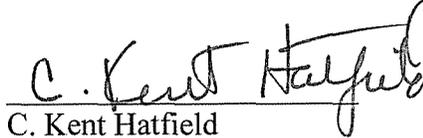
RESPONSE: See Designation of DLR Enterprises, signed by Mr. Kanney and by Laura Day DelCotto, Attorney for Sigma Gas Corporation, attached hereto as Exhibit 3.

b. If no evidence exists, explain how the Commission may approve the proposed transfer to Cow Creek.

RESPONSE: Not applicable.

The witness responsible for responding to all of the foregoing questions is Jerome
A. Kanney, President of Cow Creek Gas, Inc. and DLR Enterprises, Inc.

Respectfully submitted,



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Counsel for Joint Applicants

Date submitted: October 31, 2007

SIGMA GAS CORPORATION
DEPRECIATION SCHEDULE

ORGANIZATION COSTS

Organization costs
Organization costs
Organization costs

SUBTOTAL

DATE	LIFE	COST	ACQ'D
1/1/1994	25	33,000.00	1,320.00
6/30/1994	25	1,039.00	41.56
9/12/1994	25	4,006.00	160.24
12/31/1999		7,916.38	DEPR
12/31/2000		849.49	EXP
		38,045.00	DEPR
		8,994.62	DEPR
		1,521.80	DEPR

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ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR
12/31/2000	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2003	12/31/2003	12/31/2003	12/31/2003
9,236.38	1,320.00	10,556.38	1,320.00	11,876.38	1,320.00	13,196.38		
270.31	41.56	311.87	41.56	353.43	41.56	394.99		
1,009.73	160.24	1,169.97	160.24	1,330.21	160.24	1,490.45		
10,516.42	1,521.80	12,038.22	1,521.80	13,560.02	1,521.80	15,081.82		

(A)
2/27/02

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RIGHTS-OF-WAY
 Maps for Rt 40 Encroachment
 Encroachment Bond and permit

DATE ACQ'D	LIFE	COST	ACCUM DEPR 12/31/1999	DEPR EXP 12/31/2000
2/13/1997	40	808.00	58.11	20.20
7/31/1996	40	4,353.89	371.87	108.85
		5,161.89	429.98	129.05

SUBTOTAL

(B)
1 of 2

ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP
12/31/2000	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2002	12/31/2003	12/31/2003
78.31	20.20	98.51	20.20	118.71	20.20	138.91	20.20
480.72	108.85	589.56	108.85	698.41	108.85	807.26	108.85
559.03	129.05	688.07	129.05	817.12	129.05	946.17	129.05

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	DATE ACQ'D	LIFE	COST	ACCUM DEPR 12/31/1999	DEPR EXP 12/31/2000
MAINS					
Client's 1993 Depr Sch	10/1/1983	35	345,794.00	160,621.65	9,879.83
Client's 1993 Depr Sch	10/1/1983	35	11,270.00	5,234.93	322.00
Client's 1993 Depr Sch	10/1/1984	40	68,000.00	25,933.15	1,700.00
Client's 1993 Depr Sch	10/1/1984	35	5,857.00	2,552.78	167.34
Client's 1993 Depr Sch	2/10/1986	35	1,572.00	624.00	44.91
Client's 1993 Depr Sch	10/1/1986	35	2,710.00	1,026.30	77.43
Client's 1993 Depr Sch	12/1/1986	35	3,179.00	1,188.74	90.83
Client's 1993 Depr Sch	8/1/1987	35	4,612.00	1,636.85	131.77
Client's 1993 Depr Sch	11/30/1994	40	673.10	85.57	16.83
Client's 1993 Depr Sch	6/2/1995	40	180.00	20.61	4.50
Pipe	7/31/1996	40	561,661.16	40,193.01	14,041.53
95/96 CIP	12/31/1996	40	41,520.55	3,111.19	1,038.01
1996 CIP	12/31/1996	40	6,994.00	524.07	174.85
95/96 Construction - Walter Martin	12/31/1996	40	17,224.36	1,289.47	430.61
Pipe	1/1/1997	40	969.53	72.58	24.24
Fuel for work on line	1/1/1997	40	101,571.00	7,603.92	2,539.28
CIP	1/1/1997	40	18,673.44	1,397.95	466.84
CIP	1/1/1997	40	119.27	8.76	2.98
Gravel for new construction	1/31/1997	40	182.86	13.31	4.57
Interest on pipe-Consol Pipe	1/31/1997	40	3,730.00	271.57	93.25
Jan 1997 salaries	2/3/1997	40	307.13	22.30	7.68
Fuel for work on new line	2/7/1997	40	331.24	23.96	8.28
Terra tape "D" - gas line	2/11/1997	40	172.06	12.40	4.30
Gravel for new construction	2/15/1997	40	380.42	27.31	9.51
Fuel for work on new line	2/28/1997	40	4,351.33	308.46	108.78
February 97 salaries	6/15/1997	40	2,278.62	144.84	56.97
Pipe - Consolidated Pipe	11/21/1997	40	165.58	8.72	4.14
10 Sentry Line D gas line	12/15/1997	40	2,374.40	121.16	59.36
2" black poly pipe	12/15/1997	40	91.48	4.67	2.29
3/4" x 500' yellow poly pipe	12/31/1997	40	256,402.02	12,820.10	6,410.05
CIP	1/5/1998	40	40.41	2.01	1.01
2" API Line Pipe coupling	1/15/1998	40	159.00	7.79	3.98
1" SDR-11 yellow poly					
SUBTOTAL			1,463,546.96	266,914.13	37,927.95

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	DATE	LIFE	COST	ACCUM	DEPR	DEPR
	ACQD			DEPR	EXP	EXP
				12/31/1999	12/31/1999	12/31/2000
MAINS (cont'd)						
3/4" SDR-11 Yellow Poly pipe	4/10/1998	40	91.85	3.97	2.30	2.30
1" SDR-11 Yellow Poly	4/10/1998	40	159.00	6.87	3.98	3.98
2" ring type gasket & 3/4" SDR11	6/5/1998	40	101.39	3.98	2.53	2.53
3/4"x250' yellow; 3/4"x12"xH Nip	8/1/1998	40	139.18	4.93	3.48	3.48
3/4"x500" SDR11 yellow	8/6/1998	40	84.80	2.97	2.12	2.12
1"x500' SDR11 yellow	8/11/1998	40	159.00	5.53	3.98	3.98
(500) 2 IPSx500' 11DR 6500 gas p	8/14/1998	40	302.10	10.43	7.55	7.55
3/4"x500' yellow poly pipe	9/11/1998	40	169.60	5.53	4.24	4.24
(10) 1.25"SDR11 yellow poly	9/14/1998	40	455.80	14.77	11.40	11.40
3/4"x500' yellow poly pipe	9/23/1998	40	169.60	5.39	4.24	4.24
3/4"x500' yellow poly pipe	10/1/1998	40	183.70	5.73	4.59	4.59
3/4"x500' yellow poly pipe	10/1/1998	40	91.85	2.87	2.30	2.30
Reducer/cplg/riser	10/2/1998	40	386.03	12.03	9.65	9.65
In line tee/cplg	10/14/1998	40	133.76	4.05	3.34	3.34
1"x500' SDR11 PE yellow	10/15/1998	40	148.40	4.49	3.71	3.71
3/4"x150' yell/1' coupl	10/16/1998	40	49.98	1.51	1.25	1.25
3/4" SDR11 yellow poly	10/19/1998	40	238.50	7.15	5.96	5.96
Equipment rental on main	10/20/1998	40	10,175.00	304.56	254.38	254.38
Nipple/ell/gas cock	10/20/1998	40	359.24	10.75	8.98	8.98
Gas cock w/lock wing	10/23/1998	40	162.36	4.83	4.06	4.06
Tap tees/prebent riser	10/29/1998	40	601.63	17.64	15.04	15.04
320' 4" PE Pipe	10/30/1998	40	560.00	16.38	14.00	14.00
6"x16" sleeve coupling	11/2/1998	40	251.69	7.31	6.29	6.29
Nipple/ell	11/5/1998	40	55.90	1.61	1.40	1.40
3/4" SDR11 yellow poly	11/9/1998	40	183.70	5.24	4.59	4.59
Couplings	11/13/1998	40	58.13	1.64	1.45	1.45
Nipples	11/16/1998	40	27.91	0.79	0.70	0.70
Cplg/reducer	11/30/1998	40	146.78	3.98	3.67	3.67
3/4"x500' SDR11 yellow	12/1/1998	40	169.60	4.59	4.24	4.24
3/4" SDR11 yellow	12/9/1998	40	169.60	4.50	4.24	4.24
230' of 4" steel casing pipe	12/9/1998	40	598.00	15.85	14.95	14.95
Pipe	12/15/1998	40	762.86	19.91	19.07	19.07
2"x250' SDR	12/18/1998	40	166.95	4.32	4.17	4.17
SUBTOTALS @ 12/31/98			17,513.89	526.10	437.85	437.85
TOTAL MAINS			1,481,060.85	267,440.23	38,365.80	38,365.80

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ACCUM DEPR	DEPR EXP								
12/31/2000	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2002	12/31/2002	12/31/2003	12/31/2003	12/31/2003
6.27	2.30	8.57	2.30	10.87	2.30	13.16	2.30	13.16	2.30
10.85	3.98	14.83	3.98	18.81	3.98	22.78	3.98	22.78	3.98
6.51	2.53	9.04	2.53	11.57	2.53	14.11	2.53	14.11	2.53
8.41	3.48	11.89	3.48	15.37	3.48	18.85	3.48	18.85	3.48
5.09	2.12	7.21	2.12	9.33	2.12	11.45	2.12	11.45	2.12
9.51	3.98	13.49	3.98	17.47	3.98	21.44	3.98	21.44	3.98
17.98	7.55	25.53	7.55	33.08	7.55	40.64	7.55	40.64	7.55
9.77	4.24	14.01	4.24	18.25	4.24	22.49	4.24	22.49	4.24
26.17	11.40	37.57	11.40	48.97	11.40	60.36	11.40	60.36	11.40
9.63	4.24	13.87	4.24	18.11	4.24	22.35	4.24	22.35	4.24
10.32	4.59	14.91	4.59	19.50	4.59	24.10	4.59	24.10	4.59
5.17	2.30	7.47	2.30	9.77	2.30	12.06	2.30	12.06	2.30
21.68	9.65	31.33	9.65	40.98	9.65	50.63	9.65	50.63	9.65
7.39	3.34	10.73	3.34	14.07	3.34	17.42	3.34	17.42	3.34
8.20	3.71	11.91	3.71	15.62	3.71	19.33	3.71	19.33	3.71
2.76	1.25	4.01	1.25	5.26	1.25	6.51	1.25	6.51	1.25
13.11	5.96	19.07	5.96	25.03	5.96	31.00	5.96	31.00	5.96
558.94	254.38	813.32	254.38	1,067.70	254.38	1,322.07	254.38	1,322.07	254.38
19.73	8.98	28.71	8.98	37.69	8.98	46.67	8.98	46.67	8.98
8.89	4.06	12.95	4.06	17.01	4.06	21.07	4.06	21.07	4.06
32.68	15.04	47.72	15.04	62.76	15.04	77.80	15.04	77.80	15.04
30.38	14.00	44.38	14.00	58.38	14.00	72.38	14.00	72.38	14.00
13.60	6.29	19.89	6.29	26.18	6.29	32.47	6.29	32.47	6.29
3.01	1.40	4.41	1.40	5.81	1.40	7.21	1.40	7.21	1.40
9.83	4.59	14.42	4.59	19.01	4.59	23.61	4.59	23.61	4.59
3.09	1.45	4.54	1.45	5.99	1.45	7.45	1.45	7.45	1.45
1.49	0.70	2.19	0.70	2.89	0.70	3.59	0.70	3.59	0.70
7.65	3.67	11.32	3.67	14.99	3.67	18.66	3.67	18.66	3.67
8.83	4.24	13.07	4.24	17.31	4.24	21.55	4.24	21.55	4.24
8.74	4.24	12.98	4.24	17.22	4.24	21.46	4.24	21.46	4.24
30.80	14.95	45.75	14.95	60.70	14.95	75.65	14.95	75.65	14.95
38.98	19.07	58.05	19.07	77.12	19.07	96.19	19.07	96.19	19.07
8.49	4.17	12.66	4.17	16.83	4.17	21.01	4.17	21.01	4.17
963.95	437.85	1,401.80	437.85	1,839.65	437.85	2,277.49	437.85	2,277.49	437.85
305,806.03	38,365.79	344,171.83	38,365.79	382,537.62	38,365.79	420,903.40	38,365.79	420,903.40	38,365.79

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RT 1888 LINE RELOCATION - a. thru d.

DATE	LIFE	COST	ACQ'D	DEPR	EXP
12/31/1999	12/31/1999	12/31/1999	12/31/1999	12/31/2000	12/31/2000
a. Reloc 4" Main @ Rt 1888 new bridge	40	988.00	7/13/1999	24.70	7.38
b. 4"x40' SDR blk oil patch	40	295.02	7/12/1999	3.71	3.71
c. 1"x500' SDR PE2406	40	148.40	7/14/1999	1.67	1.67
d. Labor - Dennie Ousley	40	120.00	7/20/1999	1.35	3.00

Pipe	40	196.10	1/1/1999	4.90	4.90
1.25"x500' SDR11 PE	40	201.40	1/25/1999	5.04	5.04
1.25" SDR 11	40	227.90	1/11/1999	5.70	5.70
.75" SDR 11 Pipe	40	183.70	11/9/1998	4.59	4.59
1"x500' SDR 11 yellow	40	159.00	11/13/1998	3.98	3.98
1"x500' SDR 11 yellow	40	169.60	5/17/1999	4.24	4.24
.75"x500' SDR 11 yellow	40	371.00	9/10/1999	9.28	9.28
1"x500' SDR11 yellow	40	301.91	9/10/1999	7.55	7.55
.75x150' gas pipe	40	728.78	10/7/1999	18.22	18.22
.75x500' yellow gas pipe	40	528.01	10/14/1999	13.20	13.20
(25) 3/4x10 nipple					
(25) 3/4 x 4 nipple					
(50) blk mall 90 Deg ell					
(25) 3/4 T/P Gas cock					
(20) 11PS 2406 SF cplg	40	533.77	10/7/1999	13.34	13.34
(40) .75 IPS 2406 SF Cplg					
(10) 1 IPS 2406 SF cap					
(20) 3/4 IPS Riser					
(20) 1 CTS x 3/4 IPS socket fusion red	40	79.23	10/14/1999	1.98	1.98
1.25"x500' SDR11 PE 2406 yell pipe	40	530.00	11/17/1999	13.25	13.25
Constr project maps	40	399.75	10/31/1999	9.99	9.99
1999 additions		6,161.57		154.04	154.04
		1,487,222.42		63.97	63.97
		267,504.20		38,519.84	38,519.84

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12/31/2000	12/31/2001	12/31/2002	12/31/2002	12/31/2002	12/31/2001	12/31/2001	12/31/2003
ACCUM							
DEPR							
EXP							
35.80	24.70	60.50	24.70	85.20	24.70	24.70	109.90
10.69	7.38	18.06	7.38	25.44	18.06	7.38	32.81
5.38	3.71	9.09	3.71	12.80	9.09	3.71	16.51
4.35	3.00	7.35	3.00	10.35	7.35	3.00	13.35

9.80	4.90	14.71	4.90	19.61	14.71	4.90	24.51
9.73	5.04	14.76	5.04	19.80	14.76	5.04	24.83
11.23	5.70	16.93	5.70	22.62	16.93	5.70	28.32
9.83	4.59	14.43	4.59	19.02	14.43	4.59	23.61
8.48	3.98	12.45	3.98	16.43	12.45	3.98	20.40
6.89	4.24	11.13	4.24	15.37	11.13	4.24	19.61
12.13	9.28	21.40	9.28	30.68	21.40	9.28	39.95
9.87	7.55	17.42	7.55	24.96	17.42	7.55	32.51
22.46	18.22	40.68	18.22	58.90	40.68	18.22	77.12
16.02	13.20	29.22	13.20	42.42	29.22	13.20	55.62
16.45	13.34	29.80	13.34	43.14	29.80	13.34	56.49
2.40	1.98	4.38	1.98	6.36	4.38	1.98	8.34
14.85	13.25	28.10	13.25	41.35	28.10	13.25	54.60
11.66	9.89	21.66	9.89	31.65	21.66	9.89	41.65
218.01	154.04	372.05	154.04	526.09	372.05	154.04	680.13
306,024.04	38,519.83	344,543.88	38,519.83	383,063.71	344,543.88	38,519.83	421,583.54

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 (2)

DATE	ACQ'D	LIFE	COST	12/31/1999	12/31/2000
DEPR	DEPR	EXP	ACCUM	DEPR	DEPR
1500'X3" Bik SDR11 Poly Pipe	2/15/2000	40	1,717.20	0.00	37.52
3/4"x500' SDR11 PE2406 yellow	2/11/2000	40	265.00	0.00	6.04
3/4"x150' SDR11 yellow	2/2/2000	40	114.48	0.00	2.60
3/4"x150' SDR11 yellow	2/9/2000	40	114.48	0.00	2.55
3/4"x1000' SDR11 yellow	5/24/2000	40	212.00	0.00	3.21
3/4"x1000' SDR11 yellow	10/9/2000	40	212.00	0.00	1.19
3/4"x500' SDR11 yellow	10/18/2000	40	212.00	0.00	1.06
3/4"x500' SDR11 PE2406 yellow	11/6/2000	40	127.20	0.00	0.47
3/4" SDR11 yellow - Clayton Tackett	11/21/2000	40	141.90	0.00	0.38
3/4" IPSx500' 11DR 6500 Pipe	11/30/2000	40	767.20	0.00	1.63
2"x500' yellow gas pipe - Magoffin Co High School green houses	12/26/2000	40	479.25	0.00	0.16
2"x500' SDR 11 Bik	12/27/2000	40	312.70	0.00	0.09
Total 2000 additions			4,675.41	0.00	56.90
			1,491,897.83	267,504.20	38,576.74

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12/31/2000	12/31/2001	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2002	12/31/2003	12/31/2003
ACCUM	DEPR	ACCUM	DEPR	DEPR	ACCUM	DEPR	DEPR	ACCUM
DEPR	EXP	DEPR	EXP	DEPR	EXP	DEPR	EXP	DEPR
37.52	42.93	80.45	12.67	6.63	19.29	8.32	6.63	42.93
6.04	6.63	12.67	5.46	2.86	8.27	2.86	2.86	11.19
2.60	2.86	5.41	2.86	2.86	13.81	2.86	2.86	11.14
3.21	5.30	8.51	5.30	5.30	11.79	5.30	5.30	19.11
1.19	5.30	6.49	6.49	5.30	11.66	5.30	5.30	17.09
1.06	5.30	6.36	5.30	5.30	11.66	5.30	5.30	16.96
0.47	3.18	3.65	3.18	3.18	6.83	3.18	3.18	10.01
0.38	3.55	3.93	3.55	3.55	7.48	3.55	3.55	11.02
1.63	19.18	20.81	19.18	19.18	39.99	19.18	19.18	59.17
0.16	11.98	12.14	11.98	11.98	24.12	11.98	11.98	36.10
0.09	7.82	7.91	7.82	7.82	15.73	7.82	7.82	23.54
56.90	116.89	173.79	116.89	116.89	290.67	116.89	116.89	407.56
306,080.94	38,636.72	344,717.67	38,636.72	38,636.72	383,354.38	38,636.72	38,636.72	421,991.10

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 (2)

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9/8/10
 (2)

4" - 4SDR11PE3408 Black Gas pipe Starting Maple St @ Broadway and extending eastward on left hand side of road to 22 Mile	40	5/31/2002	11,872.00		
To increase volume.					
2" SDR11 Yellow Gas line	40	2/6/2002	360.40		
3/4"x500' SDR11 PE2406 yell gas pipe	40	2/25/2002	254.40		
4" HDPE Pipe in Salyersville	40	4/4/2002	1,000.00		
3/4"x500' SDR11 PE2406 yell gas pipe	40	7/15/2002	127.20		
2"x500' Plastic yell gas pipe	40	9/11/2002	360.40		
3/4"x500' SDR11 PE2406 yellow pipe	40	9/30/2002	127.20		
3/4"x1000 SDR11 yell gas pipe	40	11/7/2002	212.00		
			14,313.60		
				1,513,608.61	
				267,504.20	
					38,576.74

2002 Additions

3/4"x500' SDR11 PE2406 Plastic yellow pipe - Rt. 114 - Customer: Ronnie Diddle	40	6/15/2001	127.20		
3/4"x1000' SDR11 yellow gas line	40	7/9/2001	212.00		
6 Nordstrm 82211 2406 poly valve head of Abbott	40	7/10/2001	660.88		
1"x500' SDR11 PE2406 yellow poly	40	10/16/2001	5885.12		
200' plastic pipe 3 IPS PE2406 SDR-11.5	40	10/10/2001	185.50		
10/18/2001	40		220.48		
3/4"x500' SDR11PE2406 Yell Gas Pipe	40	11/2/2001	106.00		
			7397.18		
				1,499,259.01	
				267,504.20	
					38,576.74

DATE ACQ'D	LIFE	COST	ACCUM DEPR 12/31/1999	DEPR EXP 12/31/2000
6/1/1989	31	14,580.00	4,978.97	470.32

COMPRESSOR STATION EQUIPMENT

Client's 1993 Depr Sch

(1) 1992

(D) 292

ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR
12/31/2000	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2003	12/31/2003
5,449.29	470.32	5,919.61	470.32	6,389.94	470.32	6,860.26

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(E)

DATE	ACQ'D	LIFE	COST	ACCUM	DEPR	DEPR	EXP
							12/31/2000
95/96 CIP - Steel Door	7/31/1996	40	429.43	36.68	10.74		
Pipest electronic recorder, modem	9/30/2000	3	2,128.91	0.00	178.87		
<hr/>							
MEAS. & REG. STATION EQUIPMENT - GEN'L							
Model 804 1 Pen Pipestand Pressure Recorder with bottom connections-Oil Springs, KY	7/20/2001	3	706.19				
MEAS/REG STATION EQUIP			2,558.34	36.68	189.61		
<hr/>							
Model 804-S 1 Pen Pipestand Pressure Recorder w/ bottom connections-Royalton, KY	3/20/2003	3	686.44	3,264.53	36.68	189.61	
MEAS/REG STATION EQUIP							
<hr/>							
			3,950.97				

ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP
12/31/2000	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2003	12/31/2003	12/31/2003
47.42	10.74	58.16	10.74	68.89	10.74	79.63	79.63
178.87	709.64	888.51	709.64	1,598.14	530.77	2,128.91	2,128.91
226.29	720.37	946.66	720.37	1,667.03	541.51	2,208.54	2,208.54
	105.77	105.77	235.40	341.17	235.40	576.56	576.56
226.29	826.14	1,052.43	955.77	2,008.20	776.90	2,785.10	2,785.10
					178.66	178.66	178.66
					955.56	2,963.76	2,963.76

(E) 2002

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METERS

DATE	ACQ'D	LIFE	COST	ACQ'D	EXP
DEPR	DEPR	DEPR	DEPR	DEPR	DEPR
12/31/1999	12/31/2000				

10/1/1983	15	25,612.00	25,612.00	0.00	0.00	Clients 1993 Depr Sch
2/1/1994	15	6,499.96	6,499.96	2,561.99	433.33	RI Sales Meter
3/13/1996	20	267.17	267.17	50.76	13.36	Freight
5/1/1996	20	1,530.00	1,530.00	280.43	76.50	Meters
7/31/1996	20	16,049.70	16,049.70	2,741.65	802.49	95/96 CIP Mtrs, risers, mtr stops
12/10/1997	20	2,000.00	2,000.00	205.48	100.00	Meters
10/30/1998	20	2,500.00	2,500.00	146.23	125.00	(50) record meters, studs
10/30/1998	20	412.50	412.50	24.13	20.63	(25) retab meter risers
8/1/1998	20	291.83	291.83	20.67	14.59	(10) 3/4" IPS Risers

SUBTOTAL

55,163.16 31,643.34 1,585.90

(1) AC630 ALC 25#WP meter MFG # 99Z947233

Product Code AZH4ES66ABK1274

(2) AL425 ALC 10#WP Meter MFG # 99Z769561 & 99Z769562

Product Code AEE4ED66ABK1

(100) AC250 ALC 5#WP Meter MFG # 99Z954660 thru 99Z954759

Product Code AMB2AB66ABK1

4/7/1999

20

7,767.35

281.97

388.37

(1) 750 Rwell gas meter

7/25/1999

20

265.00

5.77

13.25

Total 1999 additions

9,060.21

325.05

453.01

SUBTOTAL

64,223.37

31,968.39

2,038.91

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F
-1092

ACCUM DEPR	DEPR EXP								
12/31/2000	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2002	12/31/2002	12/31/2003	12/31/2003	12/31/2003
25,612.00	0.00	25,612.00	0.00	25,612.00	0.00	25,612.00	0.00	25,612.00	0.00
2,995.32	433.33	3,428.65	433.33	3,861.98	433.33	4,295.31	433.33	4,728.64	433.33
64.12	13.36	77.48	13.36	90.84	13.36	104.20	13.36	117.56	13.36
356.93	76.50	433.43	76.50	509.93	76.50	586.43	76.50	662.93	76.50
3,544.14	802.49	4,346.63	802.49	5,149.11	802.49	5,951.60	802.49	6,754.09	802.49
305.48	100.00	405.48	100.00	505.48	100.00	605.48	100.00	705.48	100.00
271.23	125.00	396.23	125.00	521.23	125.00	646.23	125.00	771.23	125.00
44.76	20.63	65.39	20.63	86.01	20.63	106.64	20.63	127.27	20.63
35.26	14.59	49.85	14.59	64.44	14.59	79.03	14.59	93.62	14.59
33,229.24	1,585.89	34,815.13	1,585.89	36,401.02	1,585.89	37,986.91	1,585.89	39,572.80	1,585.89
39.54	22.91	62.45	22.91	85.36	22.91	108.27	22.91	131.18	22.91
49.16	28.48	77.65	28.48	106.13	28.48	134.61	28.48	163.09	28.48
670.34	388.37	1,058.71	388.37	1,447.07	388.37	1,835.44	388.37	2,223.81	388.37
19.02	13.25	32.27	13.25	45.52	13.25	58.77	13.25	72.02	13.25
778.06	453.01	1,231.07	453.01	1,684.08	453.01	2,137.09	453.01	2,590.10	453.01
34,007.30	2,038.90	36,046.20	2,038.90	38,085.10	2,038.90	40,124.00	2,038.90	42,162.90	2,038.90

(F) 202

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MEIERS

(1) 1813b 1-1/2 NPT (DI) 1/4" ORIF

DATE ACQ'D	LIFE	COST	ACCUM DEPR 12/31/1999	DEPR EXP 12/31/2000
1/20/2000	20	291.66	0.00	13.74
TOTALS			31,968.39	2,052.65

1991
G

ACCUM DEPR	12/31/2000	DEPR EXP	12/31/2001	ACCUM DEPR	12/31/2001	DEPR EXP	12/31/2002	ACCUM DEPR	12/31/2002	DEPR EXP	12/31/2003	ACCUM DEPR	12/31/2003
	13.74		14.58		28.32		14.58		42.91		14.58		57.49
	34,021.04		2,053.48		36,074.52		2,053.48		38,128.01		2,053.48		40,181.49

(G)
- agd

METER INSTALLATIONS

Client's 1993 Depr Sch
 95/96 CIP - Mtr install at Foodct

DATE ACQ'D	LIFE	COST	ACCUM DEPR 12/31/1999	DEPR EXP 12/31/2000
10/1/1983	15	10,502.00	10,502.00	0.00
7/31/1996	20	265.00	45.27	13.25
		10,767.00	10,547.27	13.25

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ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP
12/31/2000	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2002	12/31/2003	12/31/2003
10,502.00	0.00	10,502.00	0.00	10,502.00	0.00	10,502.00	0.00
58.52	13.25	71.77	13.25	85.02	13.25	98.27	13.25
10,560.52	13.25	10,573.77	13.25	10,587.02	13.25	10,600.27	13.25

(H) 2/2/2

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 (I)

DATE	ACQ'D	LIFE	COST	ACQ'D	EXP	DEPR
DEPR	EXP	12/31/2000	12/31/1999	12/31/1999	12/31/2000	12/31/2000
95/96 CIP - Regulators	7/31/1996	15	9,744.80	2,219.50	649.65	
(50) 3/4" regulators	12/11/1996	15	2,498.42	508.35	166.56	
(35) 3/4" S106 Regulators	12/31/1997	15	1,816.05	251.10	121.07	
Regulators	12/10/1997	15	1,750.00	239.73	116.67	
(15) Type S106 Reg 3/4"	1/14/1998	15	778.31	101.79	51.89	
(50) Reconditioned Regulators	10/30/1998	15	1,750.00	136.49	116.67	
(50) S106 Regulator Size 3/4" Fisher Catalog # FSS106-CJB/B00	4/26/1999	15	2,786.74	126.74	185.78	
1 - S206 2" Fisher regulator	7/25/1999	15	355.00	10.31	23.67	
SUBTOTAL						
(25) Fisher Model No S106-CJB/B00	2/5/2000	15	1,686.09	0.00	101.32	
(25) Fisher Model No FSS106 C/JF/B00	11/16/2000	15	1,489.30	0.00	12.24	
(25) Fisher Model No FSS106-CJB/B00	12/21/2000	15	1,489.30	0.00	2.72	
TOTAL 2000 ADDITIONS						
(30) S106 Regulator Size 3/4 Fisher Catalog #FSS10-CJF/B00	12/17/2001	15	1,902.59			
TOTAL						
			28,046.60	3,594.01	1,548.24	

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 (I)

ACCUM	DEPR								
12/31/2000	DEPR	12/31/2001	DEPR	12/31/2002	DEPR	12/31/2003	DEPR	12/31/2003	DEPR
2,869.15	649.65	3,518.80	649.65	4,168.46	649.65	4,818.11	649.65	4,818.11	649.65
674.91	166.56	841.47	166.56	1,008.03	166.56	1,174.59	166.56	1,174.59	166.56
372.17	121.07	493.24	121.07	614.31	121.07	735.38	121.07	735.38	121.07
356.40	116.67	473.07	116.67	589.73	116.67	706.40	116.67	706.40	116.67
153.68	51.89	205.57	51.89	257.45	51.89	309.34	51.89	309.34	51.89
253.16	116.67	369.83	116.67	486.49	116.67	603.16	116.67	603.16	116.67
312.52	185.78	498.31	185.78	684.09	185.78	869.87	185.78	869.87	185.78
33.98	23.67	57.64	23.67	81.31	23.67	104.98	23.67	104.98	23.67
5,025.97	1,431.95	6,457.92	1,431.95	7,889.88	1,431.95	9,321.83	1,431.95	9,321.83	1,431.95
101.32	112.41	213.73	112.41	326.13	112.41	438.54	112.41	438.54	112.41
12.24	99.29	111.53	99.29	210.81	99.29	310.10	99.29	310.10	99.29
2.72	99.29	102.01	99.29	201.29	99.29	300.58	99.29	300.58	99.29
116.28	310.98	427.26	310.98	738.24	310.98	1,049.22	310.98	1,049.22	310.98
4.87	4.87	4.87	4.87	131.71	4.87	258.55	4.87	258.55	4.87
5,142.25	1,747.80	6,890.05	1,869.77	8,759.83	1,869.77	10,629.60	1,869.77	10,629.60	1,869.77

OFFICE FURN & EQUIPMENT

ACQ'D DATE	LIFE	COST	ACCUM DEPR	DEPR EXP
12/31/2000		12/31/1999	12/31/1999	12/31/2000
5/1/1987	10	1,375.00	1,375.00	0.00
Clients 1993 Depr Sch				
5/20/1999	10	586.00	586.00	58.60
Cherry table				
11/4/1999	7	1,493.00	32.14	213.29
Seiko BP6000 18 pin dot matrix				
12/15/1999	7	104.94	0.62	14.99
Pager 584BZL277G				
12/15/1999	7	104.94	0.62	14.99
Pager 584BZL277H				
12/15/1999	7	104.94	0.62	14.99
Pager 584BZL277F				
7/7/2000	7	513.22	0.00	35.55
HP LaserJet 1100 USLG100754				
Office furn & equipment subtotal				
		4,282.04	1,445.12	352.41
Compaq Presario 7000 computer sn: 9121DGZZL574 and Compaq FS740 monitor sn: 105CJ64D0812				
5/22/2001	7	2,149.68		
American Fundware Accounts Receivable Software update				
4/26/2001	5	1,723.75		
Flag Pole/American Flag				
10/1/2001	7	1,080.03		
Compaq Presario 600Z sn: MX30ZS0013				
12/31/2002	5	1,842.26		
w/ Flat Screen monitor				
Hooker wood filing cabinet				
1/10/2003	5	299.00		
Ashley Computer desk/cabinet				
1/21/2003	5	561.00		
Cannon copier				
5/28/2003	5	2,649.23		
3509.23				
14,586.99				

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ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP
12/31/2000	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2002	12/31/2003	12/31/2003
1,375.00	0.00	1,375.00	0.00	1,375.00	0.00	1,375.00	0.00
94.72	58.60	153.32	58.60	211.92	58.60	270.52	58.60
245.43	213.29	458.71	213.29	672.00	213.29	885.28	213.29
15.61	14.99	30.60	14.99	45.59	14.99	60.59	14.99
15.61	14.99	30.60	14.99	45.59	14.99	60.59	14.99
15.61	14.99	30.60	14.99	45.59	14.99	60.59	14.99
35.55	73.32	108.87	73.32	182.18	73.32	255.50	73.32
1,797.53	390.18	2,187.71	390.18	2,577.88	390.18	2,968.06	390.18
	187.62	187.62	307.10	494.72	307.10	801.81	307.10
	238.02	238.02	344.75	582.77	344.75	927.52	344.75
	38.47	38.47	154.29	192.76	154.29	347.05	154.29
	464.11	464.11	806.14	1,270.25	806.14	2,076.38	806.14
			0.00	0.00	0.00	368.45	368.45
1,797.53	854.29	2,651.82	1,196.31	3,848.13	1,564.77	5,412.90	1,564.77
					58.16	58.16	58.16
					105.74	105.74	105.74
					315.00	315.00	315.00
					478.90	478.90	478.90
					2,043.67	5,891.80	2,043.67

(J) 2022

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 (K)

GRAND TOTALS ALL ASSETS

3,227.08					
2,567.08	7	1/18/2002	Metrotech 480 Pipe locator s/n 054567		
660.00					

923.26	7	12/17/2001	Metal tool boxes		
812.80	5	9/12/2001	Flame Pack		
439.73	7	1/4/2001	(1) Squeeze off tool, TDWZ8-0108-0210-40 1"-2"		
391.29	7		(2) Squeeze off tools, TDWZ8-0004-0000-40 1/2-1-1/4		

OTHER EQUIPMENT

23,979.43	7	9/17/2002	Friamat Friatec EF Control Box		
11,774.38					
27,795.43					
1,902.81					
3,816.00	7		Power operated equipment subtotal		
434.09	7	5/28/1999	/030100211 Part # 214901		
892.86	5	9/30/2000	1020h Ditch Witch trencher engine		
607.83	5	10/9/2000	Devilbiss Powerback generator		
90.34	7	9/5/2000	McCloy IPS HT Adpt SW02665		
98.82	7	9/5/2000	McCloy IPS C/R tool SW02720		
383.96	7	9/5/2000	McCloy Swndr com hr 214901		
2,925.60	7	9/19/2000	McCloy BF Unit #A420001		
137.80	7	9/19/2000	McCloy IPS BF Insrt 4" Unit 410103		
137.80	7	9/19/2000	McCloy IPS BF Insrt 4" Unit 410007		
434.09	7	5/28/1999	(1) Socket fusion heater		
1,772.34	7	7/23/1997	SN: 1L1633		
5,088.00	7	7/31/1996	Frost Chain Trencher		
2,928.37	7	7/31/1996	95/96 CIP - Fusion Machine		
146.79	7	6/25/1996	Homeite Pro Trim & Brush		
3,700.00	12	10/11/1984	Clients 1993 Depr Sch		
3,190.00	12	10/11/1983	Clients 1993 Depr Sch		

POWER OPERATED EQUIPMENT

DEPR	ACCUM	DEPR	EXP	DATE	LIFE	COST
				12/31/1999		
				12/31/2000		

GRAND TOTALS ALL ASSETS

3,227.08					
2,567.08	7	1/18/2002	Metrotech 480 Pipe locator s/n 054567		
660.00					

923.26	7	12/17/2001	Metal tool boxes		
812.80	5	9/12/2001	Flame Pack		
439.73	7	1/4/2001	(1) Squeeze off tool, TDWZ8-0108-0210-40 1"-2"		
391.29	7		(2) Squeeze off tools, TDWZ8-0004-0000-40 1/2-1-1/4		

OTHER EQUIPMENT

23,979.43	7	9/17/2002	Friamat Friatec EF Control Box		
11,774.38					
27,795.43					
1,902.81					
3,816.00	7		Power operated equipment subtotal		
434.09	7	5/28/1999	/030100211 Part # 214901		
892.86	5	9/30/2000	1020h Ditch Witch trencher engine		
607.83	5	10/9/2000	Devilbiss Powerback generator		
90.34	7	9/5/2000	McCloy IPS HT Adpt SW02665		
98.82	7	9/5/2000	McCloy IPS C/R tool SW02720		
383.96	7	9/5/2000	McCloy Swndr com hr 214901		
2,925.60	7	9/19/2000	McCloy BF Unit #A420001		
137.80	7	9/19/2000	McCloy IPS BF Insrt 4" Unit 410103		
137.80	7	9/19/2000	McCloy IPS BF Insrt 4" Unit 410007		
434.09	7	5/28/1999	(1) Socket fusion heater		
1,772.34	7	7/23/1997	SN: 1L1633		
5,088.00	7	7/31/1996	Frost Chain Trencher		
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146.79	7	6/25/1996	Homeite Pro Trim & Brush		
3,700.00	12	10/11/1984	Clients 1993 Depr Sch		
3,190.00	12	10/11/1983	Clients 1993 Depr Sch		

POWER OPERATED EQUIPMENT

DEPR	ACCUM	DEPR	EXP	DATE	LIFE	COST
				12/31/1999		
				12/31/2000		

ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP
12/31/2000	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2002	12/31/2002	12/31/2003	12/31/2003	12/31/2003
3,190.00	0.00	3,190.00	0.00	3,190.00	0.00	3,190.00	0.00	3,190.00	0.00
3,700.00	0.00	3,700.00	0.00	3,700.00	0.00	3,700.00	0.00	3,700.00	0.00
188.55	41.76	230.31	41.76	272.07	41.76	292.33	20.26	292.33	292.33
3,785.51	857.14	4,642.65	857.14	5,499.80	857.14	6,000.00	500.20	6,000.00	6,000.00
2,499.20	726.86	3,226.06	726.86	3,952.91	726.86	4,679.77	726.86	4,679.77	4,679.77
98.89	62.01	160.90	62.01	222.92	62.01	284.93	62.01	284.93	284.93
32.15	178.57	210.72	178.57	389.29	178.57	567.87	178.57	567.87	567.87
27.64	121.57	149.21	121.57	270.77	121.57	392.34	121.57	392.34	392.34
4.14	12.91	17.05	12.91	29.95	12.91	42.86	12.91	42.86	42.86
4.53	14.12	18.65	14.12	32.76	14.12	46.88	14.12	46.88	46.88
17.58	54.85	72.43	54.85	127.28	54.85	182.13	54.85	182.13	182.13
117.94	417.94	535.88	417.94	953.83	417.94	1,371.77	417.94	1,371.77	1,371.77
5.56	19.69	25.25	19.69	44.93	19.69	64.62	19.69	64.62	64.62
5.50	19.69	25.19	19.69	44.87	19.69	64.56	19.69	64.56	64.56
13,677.19	2,527.10	16,204.29	2,527.10	18,731.39	2,148.66	20,880.05			
			155.33	155.33	545.14	700.47			
13,677.19	2,527.10	16,204.29	2,682.43	18,886.72	2,693.80	21,580.52			
	5.06	5.06	131.89	136.95	131.89	268.85	131.89	268.85	268.85
	48.99	48.99	162.56	211.55	162.56	374.11	162.56	374.11	374.11
	62.13	62.13	62.82	124.95	62.82	187.77	62.82	187.77	187.77
	55.29	55.29	55.90	111.19	55.90	167.09	55.90	167.09	167.09
	171.47	171.47	413.17	584.64	413.17	997.81	413.17	997.81	997.81
	0	0	89.38	89.38	94.29	183.67	94.29	183.67	183.67
	171.47	171.47	502.55	674.02	502.55	1,181.48	502.55	1,181.48	1,181.48
388,030.50	49,220.54	437,251.05	50,796.12	488,047.17	52,007.96	540,055.13			

(K) 20.4

48E-
(K)

1993 GMC 4x4 Truck
Engine

TRANSPORTATION EQUIPMENT

DATE	ACQ'D	LIFE	COST	ACQ'D	DEPR
5/22/2001	5	5	1,844.68	12/31/1999	DEPR
4/30/2003	5		1,499.99	12/31/2000	EXP
			3344.67		

ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR	DEPR EXP	ACCUM DEPR
12/31/2000	12/31/2001	12/31/2001	12/31/2002	12/31/2002	12/31/2003	12/31/2003
	225.40	225.40	368.94	594.34	368.94	963.27
	225.40	225.40	368.94	594.34	201.37	201.37
					570.31	1,164.64

(K) 4084

7

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY
PIKEVILLE DIVISION**

IN RE:

CHAPTER 7

SIGMA GAS CORPORATION

CASE NO. 04-71003

DEBTOR

**REPORT OF DEFAULT
OF AGREED ORDER**

NOTICE IS HEREBY GIVEN that **JEFFERSON GAS LLC**, by and through Counsel, files its Report of Default of Agreed Order by the City of Salyersville relating to that certain Agreed Order entered by this Court on July 23, 2007, Docket #230, as follows:

1. By Court order dated 2004, the City was authorized to take over the Debtor's business operations and to supply natural gas to its customers. The order required the City to collect funds and disburse them to the Debtor, while withholding only expenses authorized by GOLD prior to making any distributions. From late 2006 through middle of 2007, it was discovered that the City had systematically made distributions to itself under the guise of "reimbursement" for its own cost of employees without authorization from GOLD to the extent of \$69,771.57.
2. In July 2005, the City entered a Special Gas Sales Agreement with Jefferson Gas to provide gas to the City. In May 2007, the City owed arrears to Jefferson Gas in the amount of \$50,460.69 plus the current monthly balance \$14,206.16.
3. On May 14, 2007, Docket #211, Jefferson Gas filed a motion to compel payment and for an accounting of funds by the City for the "reimbursements."
4. The Court entered a Show Cause Order requiring the City to provide an accounting at a hearing scheduled for July 12, 2007. At said hearing, Jefferson Gas agreed to withdraw its motion upon (1) the payment of its arrears of \$50,460.69 within 90 days, (2) for the City to remain current on all of its future monthly obligations to Jefferson Gas, and (3) to provide a guarantee that future monthly

payments would be paid timely. The Court entered the parties' Agreed Order on July 23, 2007, Docket #230 ("Agreed Order"). A copy of said Agreed Order is attached hereto.

5. As of October 10, 2007, the City has (1) failed to abide by the repayment terms in the Agreed Order for the arrears in the amount of \$13,349.08, and (2) failed to provide assurances/guarantee of future performances by the Board or Council. As such, the City is in default of the parties' Special Gas Sales Agreement.

6. On October 12, 2007, Jefferson Gas provided written notice of default and termination of the Special Gas Sales Agreement and the gas supply to the City, a copy of which is attached hereto. Also, a hard copy of the attached was mailed on October 12, 2007 to the City of Salyersville, PO Box 640, Salyersville, KY 41465, as required in the Special Gas Sales Agreement.

Respectfully submitted,

BUNCH & BROCK

BY: /s/ Matthew B. Bunch

MATTHEW B. BUNCH, ESQ.

271 West Short Street, Suite 805

P. O. Box 2086

Lexington, KY 40588-2086

(859) 254-5522

ATTORNEY FOR JEFFERSON GAS

CERTIFICATE OF SERVICE

This is to certify that this the 15th day of October, 2007, a true and correct copy of the foregoing was served electronically by the Clerk of the Bankruptcy Court in the method established under CM/ECF Administrative Procedures Manual and the Local Court Standing Order dated July 25, 2002, to all attorneys of record and/or by first class mail, postage prepaid, upon the following:

Gerald E. Wuetcher, Esq. (via email only to: jwuetcher@ky.gov)
Anita L. Mitchell, Esq. (via email only to: anital.mitchell@ky.gov)
Assistant General Counsel
Public Service Commission of Kentucky
211 Sower Blvd., P.O. Box 615
Frankfort, KY 40601

K. Gail Russell, Esq. (via email only to: grussell@gsatty.com)
David Cooper, Esq.
Goldberg & Simpson, PSC
P.O. Box 221529
Louisville KY 40252-1529
ATTORNEY FOR GOLD

Kent Hatfield, Esq. (via email only to: kent.hatfield@skofirm.com)
Stoll Keenon Ogden, LLP
400 W Market Street, Suite 2650
Louisville, KY 40202
COUNSEL FOR JERRY KANNEY AND DENNIS ROHRER

Charles Lowe, Esq. (via email only to: clowjr@yahoo.com)
147 Main St
Pikeville, KY 41501
COUNSEL FOR JERRY KANNEY AND DENNIS ROHRER

Mr. Jeffrey N. Lovely, Esq. (via email only to: jlovely@email.com)
McFarland & Lovely
293 W. Maple Street
P.O. Box 82
Salyersville, KY 41465
COUNSEL FOR CITY OF SALYERSVILLE

Laura Day DelCotto, Esq. (via email only to: ldelcotto@wisedel.com)
WISE DELCOTTO PLLC
200 North Upper Street
Lexington, KY 40507
COUNSEL FOR THE DEBTOR

/s/ Matthew B. Bunch
MATTHEW B. BUNCH

ATTACHMENT 1

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY
PIKEVILLE DIVISION**

IN RE:

CHAPTER 7

SIGMA GAS CORPORATION

CASE NO. 04-71003

DEBTOR

AGREED ORDER
RESOLVING SHOW CAUSE ORDER

Upon the "Motion to Compel Payment By the City of Salyersville ("City") for Post-Administrative Expenses and for an Accounting of "Reimbursements" from the City for January through April 2007," ("Motion") filed by **JEFFERSON GAS LLC**, on May 14, 2007, Docket #211, and upon the Court's "Order to Show Cause," entered on June 18, 2007, Docket #224, for the City to explain why it should not repay \$69,771.57 to the bankruptcy estate, and after a hearing having been held on July 12, 2007 with appearances by the City's Mayor, Howard Stanley, and the City's Attorney, Jeffrey Lovely, and the parties having reached an agreement which was read into the Record, and the parties hereto desire to enter into this Agreed Order, and the Court being otherwise sufficiently advised, **IT IS HEREBY ORDERED AND ADJUDGED** as follows:

1. This Court has subject matter jurisdiction over the Motion and the parties hereto pursuant to Title 28 of the United States Code ("U.S.C."), §1334. This is a core proceeding pursuant to 28 U.S.C. §157(b). The Court can exercise its subject matter jurisdiction pursuant to 28 U.S.C. §157(b)(1) and (b)(2). Venue of this case and the Motion is proper in this district pursuant to 28 U.S.C. §§1408 and 1409. The parties hereto hereby consent to the jurisdiction of this Court.

2. The City agrees to and shall continue to operate Sigma Gas Corporation (the "Debtor" or "Sigma") under all terms and conditions of that certain "Renewed Management Agreement," approved by this Court on October 12, 2006 until the closing of the Sale (defined below) unless otherwise ordered by this Court. The City will not make any distributions to itself, its employees or agents for reimbursement of any expenses incurred in operating the Debtor or otherwise.

3. The City shall pay Jefferson Gas for its March Gas Usage Bill of \$50,460.69 (less a payment on May 17, 2007 of \$25,230.34), April Gas Usage Bill of \$14,206.16, and May Gas Usage Bill of \$8,927.63, totaling \$48,364.14 (hereinafter referred to as "Outstanding Balance"), within ninety (90) days from July 12, 2007, payable from revenue received from the natural gas charges to the City's customers.

4. The City shall continue to pay when due Jefferson Gas for its current monthly charges and shall remain current hereafter, specifically including the June Gas Usage Bill of \$14,869.30 due on July 31, 2007. The City shall immediately pay Jefferson Gas all cash currently held in the City's Sigma Gas account, which is estimated to be approximately \$21,000, which shall first be applied toward the June Gas bill, then toward the Outstanding Balance.

5. The City acknowledges and agrees that timely payment to Jefferson Gas of all monthly bills hereinafter, including the payment(s) toward the Outstanding Balance, is of the essence.

6. The City agrees to abide by the terms and conditions of that certain "Special Gas Sales Agreement," dated July 6, 2005, by and between the City and Jefferson Gas, which shall be specifically enforceable in this Court as these parties.

7. If the City has failed to pay the Outstanding Balance to Jefferson Gas within ninety (90) days from July 12, 2007, or has failed to timely pay Jefferson Gas according to the "Special Gas Sales Agreement," Jefferson Gas shall have the right to enforce this Agreed Order against the City for all amounts due and owing, including all rights afforded under state law for the enforcement and/or collection, without further notice, including Kentucky statutory interest, reasonable attorney's fees and costs.

8. The City agrees and shall not assert any claim or cause of action (arising either pre- or post-petition), and hereby specifically waives any and all claims, including without limitation, claims for the past, present and future operations of Sigma, against the Debtor, DLR Enterprises, Inc. (or any of its designees under the Sale), the Commonwealth of Kentucky/Department for Local Development, n/k/a Governor's Office for Local Development, and Jefferson Gas.

9. As disclosed to the Court during the July 12, 2007 hearing, DLR Enterprises, Inc., desires to complete the purchase of substantially all of the Debtor's assets (the "Sale") in accordance with that certain "Settlement Agreement and Mutual Release," by and between Sigma Gas Corporation, DLR Enterprises, Inc., the Commonwealth of Kentucky/Department for Local Development, n/k/a Governor's Office for Local Development, and Gas System Restoration and Development Project Account Review Board, as approved by this Court by Order dated June 15, 2007, Docket #218, subject to all conditions contained therein, including without limitation, approval by this Court and the Public Service Commission. The City agrees to pay in full all costs of operating Sigma, whether billed or unbilled, due and owing as of the date of the Sale closing, including without limitation Jefferson Gas at the time of the Sale closing, notwithstanding the possibility that there may not be sufficient funds in the City's Sigma Gas account.

10. The City agrees to seek approval from the City's Board or Council to provide a written guarantee by the Board or Council that all costs of operation of Sigma, including all Jefferson Gas bills, will be paid in full at the Sale closing. Nothing in this paragraph shall be deemed to limit the City's obligations as set forth in this Agreed Order.

AGREED TO AND TO BE ENTERED:

BUNCH & BROCK

BY: /s/ Matthew B. Bunch
MATTHEW B. BUNCH, ESQ.
271 West Short Street, Suite 805
P. O. Box 2086
Lexington, KY 40588-2086
(859) 254-5522

ATTORNEY FOR JEFFERSON GAS LLC

MCFARLAND & LOVELY

BY: /s/ Jeffrey N. Lovely (by MBB with written permission)
JEFFREY N. LOVELY, ESQ.
293 W. Maple Street
P.O. Box 82
Salyersville, KY 41465

COUNSEL FOR CITY OF SALYERSVILLE

~~~~~  
***The affixing of this Court's electronic seal below is proof this document has been signed by the Judge and electronically entered by the Clerk in the official record of this case.***



**Signed By:**  
**William S. Howard**  
**Bankruptcy Judge**  
**Dated: Monday, July 23, 2007**  
**(jms)**

Pursuant to Local Rule 9022-1(c), Matthew B. Bunch, shall cause a copy of this order to be served on each of the parties designated to receive this order pursuant to Local Rule 9022-1(a) and shall file with the court a certificate of service of the order upon such parties within (10) days thereof.

cc:

Gerald E. Wuetcher, Esq. (via email only to: [jwuetcher@ky.gov](mailto:jwuetcher@ky.gov))  
Assistant General Counsel  
Public Service Commission of Kentucky  
211 Sower Blvd., P.O. Box 615  
Frankfort, KY 40601

K. Gail Russell, Esq. (via email only to: [grussell@gsatty.com](mailto:grussell@gsatty.com))  
David Cooper, Esq.  
Goldberg & Simpson, PSC  
P.O. Box 221529  
Louisville KY 40252-1529  
**ATTORNEY FOR GOLD**

Kent Hatfield, Esq. (via email only to: [kent.hatfield@skofirm.com](mailto:kent.hatfield@skofirm.com))  
Stoll Keenon Ogden, LLP  
400 W Market Street, Suite 2650  
Louisville, KY 40202  
**COUNSEL FOR JERRY KANNEY AND DENNIS ROHRER**

Charles Lowe, Esq. (via email only to: [clowjr@yahoo.com](mailto:clowjr@yahoo.com))  
147 Main St  
Pikeville, KY 41501  
**COUNSEL FOR JERRY KANNEY AND DENNIS ROHRER**

Mr. Jeffrey N. Lovely, Esq. (via email only to: [jlovely@email.com](mailto:jlovely@email.com))  
McFarland & Lovely  
293 W. Maple Street  
P.O. Box 82  
Salyersville, KY 41465  
**COUNSEL FOR CITY OF SALYERSVILLE**

Laura Day DelCotto, Esq. (via email only to: [ldelcotto@wisedel.com](mailto:ldelcotto@wisedel.com))  
WISE DELCOTTO PLLC  
200 North Upper Street  
Lexington, KY 40507  
**COUNSEL FOR THE DEBTOR**

**ATTACHMENT 2**

## Matthew B. Bunch

---

**From:** Matthew B. Bunch [matt@bunchlaw.com]  
**Sent:** Friday, October 12, 2007 4:47 PM  
**To:** 'Wuetcher, Gerald E.'  
**Subject:** FW: In re: Sigma Gas, US Bankruptcy Court, Case No. 04-71003

**Attachments:** 230 Agreed Order Resolving Show Cause.pdf



230 Agreed  
Order Resolving Show

-----Original Message-----

**From:** Matthew B. Bunch [mailto:matt@bunchlaw.com]  
**Sent:** Friday, October 12, 2007 4:29 PM  
**To:** 'Jeff Lovely'  
**Cc:** 'Laura Day DelCotto'; 'Burgess, Patricia'; 'Gail Russell'  
**Subject:** In re: Sigma Gas, US Bankruptcy Court, Case No. 04-71003

Jeff Lovely, Attorney for City of Salyersville:

Please be advised that our law firm represents Jefferson Gas LLC in the above-styled action. The City of Salyersville is in default of the terms and conditions of that certain Agreed Order in the above styled bankruptcy action, being Docket #230. Jefferson Gas hereby provides written notice of termination of the parties' Special Gas Sales Agreement dated July 5, 2005 ("Agreement"), between the City and Jefferson Gas and will shut off its gas supply to the City beginning Monday, October 15, 2007. A hard copy of this notice is being sent to the City of Salyersville, PO Box 640, Salyersville, KY 41465 pursuant to that certain "Notices" provision in said Agreement. Jefferson Gas intends to enforce all terms and conditions in said Agreed Order, a copy of which is attached hereto, and reserves any and all rights afforded therein.

Thank you,

Matthew B. Bunch, Esq.  
Bunch & Brock  
271 West Short Street  
805 Security Trust Building  
P.O. Box 2086  
Lexington, Kentucky 40588-2086  
(859) 254-5522  
(859) 233-1434 Facsimile  
Matt@BunchLaw.com

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-----Original Message-----

From: Matthew B. Bunch [mailto:matt@bunchlaw.com]  
Sent: Thursday, October 11, 2007 10:06 AM  
To: 'Jeff Lovely'  
Cc: 'Laura Day DelCotto'; 'Burgess, Patricia'  
Subject: Sigma Gas

Jeff Lovely:

The agreed upon deadline of October 10, 2007 within which to pay Jefferson Gas in full by the City of Salyersville has now expired without compliance. The City has now violated the terms of the Agreed Order and is in default thereof. The amount owed as of yesterday (after Jefferson Gas received a check for \$10,724.44) is \$13,349.08 for arrears plus \$16,291.64 due by the end of this month for September's gas usage for a grand total of \$29,640.72. Since the City is not in compliance with the parties' written contract or with the Agreed Order, specifically with providing assurances that payment would be made timely by the Board or Council, I will now start to collect the amount owed to Jefferson Gas plus my attorney's fees for collection and statutory interest, for which you client is now liable to pay. I suggest that payment in full be made by tomorrow with an overnight delivery. Jefferson Gas also reserves the right to file a motion for show cause to bring this to the attention of the federal bankruptcy judge and reserves the right to cancel gas supply.

Thank you,

Matthew B. Bunch, Esq.  
Bunch & Brock  
271 West Short Street  
805 Security Trust Building  
P.O. Box 2086  
Lexington, Kentucky 40588-2086  
(859) 254-5522  
(859) 233-1434 Facsimile  
Matt@BunchLaw.com

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**DESIGNATION OF DLR ENTERPRISES, INC.**

Pursuant to the terms of that certain Asset Purchase Agreement (City Business) by and between (i) **SIGMA GAS CORPORATION**, a Kentucky corporation, for itself and on behalf of its Chapter 7 bankruptcy estate (collectively, "Seller") and (ii) **DLR ENTERPRISES, INC.**, a Kentucky corporation ("Purchaser")(the "Purchase Agreement"), and upon the effective date of the Purchase Agreement, Purchaser hereby designates Cow Creek Gas, Inc., a Kentucky corporation, as its designee under the Purchase Agreement and Cow Creek Gas, Inc. shall have all rights and interests of Purchaser under the Purchase Agreement.

Dated: October 25, 2007

**DLR ENTERPRISES, INC.**

By: James A. Harvey  
Its: PRESIDENT

The Seller hereby consents to the foregoing Designation.

**SIGMA GAS CORPORATION**

By: Rama Day Deltoro  
Its: Attorney